



Agenda Date: 9/13/06
Agenda Item: 1B

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

OFFICE OF CLEAN ENERGY

IN THE MATTER OF THE COMPREHENSIVE)
ENERGY EFFICIENCY AND RENEWABLE)
ENERGY RESOURCE ANALYSIS FOR)
2005-2008 - ROCKLAND ELECTRIC AND)
JERSEY CENTRAL POWER AND LIGHT)
COMPANIES' BUDGETS)

ORDER

DOCKET NO. EX04040276

(SERVICE LIST ATTACHED)

BY THE BOARD:

By letter(s) dated July 6, 2006 and August 22, 2006 to the New Jersey Board of Public Utilities (Board) Secretary Izzo, Rockland Electric Company (RECO) advised the Board that, based on a cash flow analysis RECO projected that its spending for the Board's Commercial and Industrial Construction energy efficiency program (C&I Program) would exceed the Staff-approved budget allocation for this program by the end of August 2006. The July 6, 2006 letter indicated that RECO would discontinue its provision of this program once its overall budget was reached unless advised by the Board otherwise. Subsequently, a second letter was sent on August 22, 2006 amending its original July 6, 2006 letter, providing updated spending information. The letter states that RECO expects to exceed its 2006 overall energy efficiency program budget of \$549,000 by \$6000 and that actual spending for all the energy efficiency programs through July 31, 2006 is \$183,000, with committed expenses of \$372,000 for a total of \$555,000.

By letter dated June 29, 2006 to Michael Winka, Director of the Office of Clean Energy (OCE) Jersey Central Power and Light Company (JCP&L) requested clarification regarding the Board's approval of the interim 2006 Clean Energy Program (CEP) budget in its December 23, 2005 Order. JCP&L had previously received approval from the OCE to transfer budgeted monies between certain energy efficiency programs¹ on December 22, 2005, thereby modifying the program budget allocations previously approved by the OCE. JCP&L has now requested clarification of the inclusion of these transfers in the December 23, 2005 Order.

¹ Residential New Construction Program (RNC), Residential HVAC Program, C&I School Construction/Retrofit (C&I SCR) and C&I Retrofit Program.

The OCE believed it was important for program continuity that RECO and JCP&L continue to provide Board approved clean energy programs without interruption until the Board considers their requests to exceed their program budgets, and has conveyed this to both companies. The OCE recommends to the Board that RECO and JCP&L now be authorized to continue delivering the approved programs, and that the Board authorize them to continue to spend and incur costs for these programs.

BACKGROUND & PROCEDURAL HISTORY

By Order dated December 23, 2004, Docket No. EX04040276, the Board set CEP funding levels for the years 2005 through 2008, and approved 2005 programs and budgets. The Board approved funding levels of \$140 million for 2005, \$165 million for 2006, \$205 million for 2007 and \$235 million for 2008. In that Order the Board also approved RECO's overall 2006 funding level of \$ 2.413 million. Based on a subsequent RECO compliance filing made on June 8, 2005, OCE approved \$549,000 of this amount for RECO's energy efficiency programs. JCP&L's overall 2006 funding level of \$32.029 million was also approved in the Board's December 23, 2004 Order. OCE subsequently approved \$23.972 million of this amount for JCP&L's energy efficiency programs, based on JCP&L's 2005 Compliance Filing

By Order dated December 23, 2005, Docket No. EX04040276, the Board approved the continuation of the 2005 Clean Energy programs and budgets as preliminary 2006 programs and budgets with the expectation that final 2006 programs and budgets would be submitted to the Board for review in mid-2006. The preliminary statewide budget approved therein for the C&I Program was \$35.8 million for 2006, (subsequently reduced through line item transfers to \$35.45 million). The preliminary statewide budget for the RNC Program was \$22.95 million and \$3.5 million for the C&I SCR program. These latter two programs are those for which JCP&L had previously received OCE approval for line item transfer budget increases.

On July 19, 2006 the Board approved the final programs and budgets for the 2006 Clean Energy Program (CEP). At the July 19, 2006 agenda meeting, the Board approved the final CEP budgets in Table 3, which shows the new final 2006 C&I Program funding level to be \$39.5 million, the RNC Program funding level to be \$27.72 million, and the C&I SCR Program to be \$3.7 million.

Discussion

RECO expects to exceed its 2006 C&I Program budget of \$251,000, previously set forth in its 2005 Compliance Filing, and plans to discontinue the program after its budget runs out at the end of August, 2006 unless authorized to continue. RECO also expects to exceed its overall energy efficiency budget as a result of this overspending. The Office of Clean Energy has reviewed this situation and considers the continuation of RECO's C&I Program to be important to the overall energy efficiency goals of the Clean Energy Program. OCE also believes that starting and stopping programs has a negative impact on the market and can severely inhibit achievement of market transformation goals.

JCP&L had previously requested and received OCE approval for line item transfers to address its expected shortfalls in the RNC and C&I SCR Programs. JCP&L does not expect to exceed its overall Board approved energy efficiency budget. RECO and JCP&L have essentially asked to move money between programs to resolve this issue, and have done so on an interim basis at the direction of OCE in order to ensure program continuity pending Board action. At its July 19, 2006 agenda meeting the Board approved final 2006 statewide budgets for each program at issue which contain sufficient funding to accommodate RECO's and JCP&L's needs. A

written Board Order memorializing this budget is expected to be signed shortly. The requests before the Board, if granted, will impact the compliance filings due to be submitted by each utility and approved by the Board, because these filings determine how overall program budgets are allocated between each utility. By granting RECO's and JCP&L's requests now, the Board will, for the sake of program continuity, be making part of this determination on a going forward basis prior to these filings being made. However, OCE believes such action is necessary and justifiable under the circumstances, and that it will further the energy efficiency goals of the Board.

The Office of Clean Energy therefore recommends that RECO and JCP&L be directed to submit revised budgets in their 2006 program compliance filings to accommodate these program costs within the Board approved final statewide program budgets. OCE further recommends that a cap of \$200,000 over the previously approved budget for RECO of \$549,000 be set until RECO's revised budgets for 2006 are submitted in its compliance filing and approved by the Board. OCE staff does not believe such a cap is necessary for JCP&L, since there is no expectation that it will exceed its overall energy efficiency budget. The OCE staff also recommends that both JCP&L and RECO be authorized to continue to incur costs and make commitments for the aforementioned programs above the budgets authorized in the 2005 Compliance Filing.

OCE Staff believes that the statewide program budgets recently approved by the Board are sufficient to cover RECO's and JCP&L's additional expenses without impacting the budget needs of the other utilities. Therefore, the revised budgets to be submitted by RECO and JCP&L in its compliance filing will fit within its funding level and the statewide program budgets approved by the Board.

CONCLUSIONS

The Board concurs and **HEREBY APPROVES** the continuation consistent with the July 19, 2006 Board decision of the 2006 Commercial and Industrial program by RECO until a new compliance filing is submitted and approved. The Board concurs and also **HEREBY APPROVES** the continuation consistent with the July 19, 2006 Board decision of the 2006 Commercial and Industrial School Construction/Retrofit Program and Residential New Construction Program by JCP&L until a new compliance filing is submitted and approved.

The Board **HEREBY APPROVES**, on an interim basis, maximum additional expenditures of up to \$200,000 for RECO over the previously approved energy efficiency budget of \$549,000 for 2006 and specifically over the C&I Program budget of \$251,000 until a new compliance filing is submitted and approved to address this timing issue, for the C&I Program.

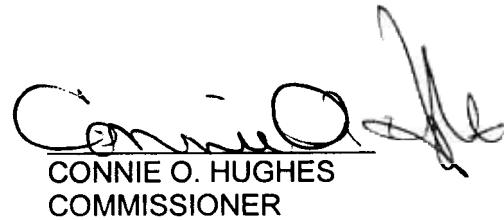
The Board **HEREBY AUTHORIZES** RECO and JCP&L to continue delivering the aforementioned programs in 2006, including incurring eligible costs and making commitments consistent with approved program plans and budgets.

DATED: 9/14/06

BOARD OF PUBLIC UTILITIES
BY:

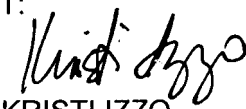

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ATTEST:

KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities

